Decision **DRAFT DECISION OF ALJ WEISSMAN** (Mailed June 21, 2005)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Proposed Policies and Programs Governing post-2003 Low-Income Assistance Programs.	Rulemaking 04-01-006 (Filed January 8, 2004)
In the Matter of the Application of PACIFICORP for Approval of 2005 Low-Income Assistance Program Budgets.	Application 04-06-038 (Filed June 30, 2004)
In the Matter of the Application of Southwest Gas Corporation (U 905 G) for Approval of Program Year 2005 Low-Income Assistance Program Budgets.	Application 04-07-002 (Filed July 1, 2004)
IN THE MATTER of the Application SIERRA PACIFIC POWER COMPANY (U 903), for an Order Approving its 2005 California Alternate Rates for Energy (CARE) and Low Income Efficiency (LIEE) Plans and Budgets.	Application 04-07-014 (Filed July 1, 2004)
In the Matter of the Application of Avista Corporation for Approval of Program Year 2005 Low-Income Assistance Program Budgets.	Application 04-07-015 (Filed July 1, 2004)
In the Matter of the Application of the SOUTHERN CALIFORNIA WATER COMPANY (U 133 W) Regarding Low Income Assistance Programs for its Bear Valley Electric Service Customers for Program Year 2005.	Application 04-07-020 (Filed July 8, 2004)

Application of Alpine Natural Gas Operating Company No. 1 LLC in Compliance with Decision 03-12-016 (PY 2004 Low Income Energy Efficiency ("LIEE") and California Alternate Rates For Energy ("CARE") program Plans).	Application 04-07-027 (Filed July 2, 2004)
In the Matter of the Application of West Coast Gas Company (U-910-G) For Approval of Program Year 2005 Low-Income Assistance Program Budgets.	Application 04-07-050 (Filed July 29, 2004)

OPINION APPROVING LOW INCOME ENERGY EFFICIENCY AND CALIFORNIA ALTERNATIVE RATES FOR ENERGY (CARE) PROGRAMS FOR 2005 FOR PACIFICORP, SOUTHWEST GAS CORPORATION, SIERRA PACIFIC POWER COMPANY, AVISTA CORPORATION, SOUTHERN CALIFORNIA WATER COMPANY (BEAR VALLEY ELECTRIC SERVICE), ALPINE NATURAL GAS OPERATING COMPANY, AND WEST COAST GAS COMPANY

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I. Summary

This decision acts on the applications of the small or multi-jurisdictional investor-owned energy utilities doing business in California (SMJUs) for Low Income Energy Efficiency and California Alternate Rates for Energy (CARE) funding for the 2005 calendar year. The SMJUs that are the subjects of this opinion are PacifiCorp, Southwest Gas Corporation (Southwest), Sierra Pacific Power Company (Sierra Pacific), Avista Corporation (Avista), Southern California Water Company as Bear Valley Electric Service (Bear Valley), Alpine Natural Gas Operating Company (Alpine), and West Coast Gas Company (West Coast). This decision grants most of the SMJUs' requests for funding.

The following tables reflect the utility proposals and adopted budgets for CARE-related activity:

Summary of Utility CARE Budget Proposals					
Utility	**Outreach**	**Processing**	**General**	**Subsidy**	**Total**
Alpine	$100	$100	$0	$4,290	**$4,490**
Avista	$18,800	$11,800	$15,500	$185,101	**$231,201**
PacifiCorp	$42,000	$12,000	$8,000	$715,046	**$777,046**
Sierra	$10,593	$9,985	$0	$225,935	**$246,513**
BVES	$1,000	$0	$0	$154,000	**$155,000**
SWG	$77,600	$29,600	$74,000	$3,756,690	**$3,937,890**
WCG	$500	$1,000	$1,000	$6,000	**$8,500**
Total	**$151,093**	**$64,485**	**$98,500**	**$5,047,062**	**$5,361,140**

Summary of Adopted CARE Budgets

Utility	**Outreach**	**Processing**	**General**	**Subsidy**	**Total**
Alpine	$150	$100	$0	$4,290	**$4,540**
Avista	$18,800	$12,300	$15,500	$185,101	**$231,701**
PacifiCorp	$42,000	$13,000	$8,000	$715,046	**$778,046**
Sierra	$14,000	$10,485	$0	$225,935	**$250,420**
BVES	$3,000	$0	$0	$154,000	**$157,000**
SWG	$77,600	$29,600	$17,600	$3,756,690	**$3,881,490**
WCG	$500	$1,00	$1,000	$6,000	**$8,500**
Total	**$156,050**	**$66,485**	**$42,100**	**$5,047,062**	**$5,311,697**

The following table reflects the utilities' proposed budgets for Low-Income Energy Efficiency programs. We adopt those budgets, as proposed. As discussed below, West Coast Gas does not have a Low-Income Energy Efficiency program, and is not included in the table.

2005 Utility Low-Income Energy Efficiency Program Budgets Proposed and Adopted	
Alpine	$ 26,903
Avista	$ 81,980
Bear Valley	$ 82,825
PacifiCorp	$117,000
Sierra Pacific	$100,000
Southwest Gas	$860,000

In this decision, we also direct the utilities to seek future approval for budgets and activities on a two-year cycle. New applications must be filed no later than June 1, 2006, for two planning years beginning on January 1, 2007. The budgets and targets established in this decision shall remain in effect until they are revised by a subsequent Commission order.

II. Background

Low-income assistance programs consist of direct weatherization and energy efficiency services under the Low-Income Energy Efficiency programs, and rate assistance under the CARE program. Both programs are funded by the public goods charge (also known as the public purpose program charge) that appears on utility bills.

Each year, we prescribe a set level of Low-Income Energy Efficiency funding for each utility, which includes the utility's administrative budget. The utility must live within that budget, and any unspent funds are added to the next year's prescribed budget. However, we expect the utilities to manage the deployment of their programs so that they do not have substantial unspent funds at the end of the year. This decision examines both the programs the utilities propose to fund and their requested administrative expenses.

CARE funding is unusual, because it is never clear ahead of time how many customers will receive the discount during the year, or how high their rate subsidies will run. Thus, we do not prescribe a budget for the CARE subsidies themselves. We do examine the utilities' proposed CARE administrative costs and adopt budgets for these, subject to a reasonableness review.

In this decision, we review the applications of seven utilities, as filed on various dates beginning with June 30, 2004, and amended in the middle of January, 2005. The utilities filed the amendments in response to a ruling from the then-assigned Administrative Law Judge (ALJ) Sarah Thomas[1] dated December 22, 2004 seeking additional data. Through the applications, the SMJUs seek approval of CARE and Low Income Energy Efficiency programs and funding for 2005. The Office or Ratepayer Advocates (ORA) filed a Response to Southwest's application. However, this was the only pleading filed in response to any of the applications. The Commission received no protests to the current applications.

The SMJUs received approval for 2004 programs and funding in Decision (D.) 03-12-016.[2] Among other things, that decision directed the Commission's

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[1] The proceeding was subsequently co-assigned to ALJ Steven Weissman

[2] See the Introduction to D.03-12-016 for a summary of decisions affecting SMJUs CARE and Low Income Energy Efficiency programs prior to 2004.

Energy Division to conduct public workshops on the 2005 applications and submit its recommendations on the applications in a report no later than September 5, 2004. The Energy Division elected not to hold the workshops, and issued its report on April 29, 2005 (the "2005 SMJUs Report"). In D.03-12-016, the Commission also directed the Energy Division to conduct a financial and management audit of the Program Year 2003 and 2004 CARE and Low-Income Energy Efficiency program deployment. The Energy Division was to examine whether the program expenditures were reasonably incurred and booked to the appropriate accounts, examine whether they were truly incremental costs, and present recommendations on how the utilities should report and recover administrative costs for these programs on a more consistent basis in the future. The report for 2003 expenditures was due August 1, 2004 and the report for 2004 is due August 1, 2005. The Energy Division has not performed the 2003 audit and has no current plans to perform the 2004 audit.

While the report and the audits were pending, Southwest Gas acquired the California gas facilities of another applicant (Avista). The Commission authorized this transaction in D.05-03-010, dated March 17, 2005. The Commission indicated that upon consummation of the transaction, Southwest is authorized to substitute its Tariff Rules Nos. 1 through 22 in lieu of Avista's Rules Nos. 1 through 21, retaining the Preliminary Statements and Rate Schedules in the existing Avista tariffs.

Southwest and Avista were to notify the Director of the Commission's Energy Division, in writing, of the transfer of ownership, within 30 days of the date of transfer. The transfer took place on April 28, 2005. Pursuant to the transfer, Avista's customers will now be served by Southwest Gas.

For the time being, Southwest Gas intends to continue the current program structure of Avista's CARE and Low-Income Energy Efficiency Program programs. When current program contracts expire, Southwest may integrate Avista's current CARE or Low-Income Energy Efficiency Program or both into Southwest's current programs.

In a ruling dated April 29, 2005, ALJ Weissman disseminated the 2005 SMJUs Report and directed the SMJUs and other interested parties to file comments on the report no later that May 20, 2005, and to file reply comments no later than May 30, 2005. PacifiCorp, Sierra Pacific, Southwest Gas, and the Office of Ratepayer Advocates filed opening comments. No party offered reply comments. On June 10, 2005, Energy Division submitted its Supplemental Report, updating its April 29, 2005 report to reflect the SMJU's annual reports submitted in May 2005 on 2004. We derive this decision overwhelmingly from Energy Division's 2005 SMJUs Report and focus on the comments filed in response to the report.

In that the Energy Division report was released after a third of the budget year had passed, we are aware that the utilities will be constrained in their ability to respond to the directives in this order and produce the desired results by the end of the year. However, we also understand that each utility has continued to implement its low income assistance programs under the budget limitations that were applicable to 2004, and that in many instances, the utilities have achieved significant new successes in the early months of 2005. Because these programs are so important, we will continue to expect aggressive program implementation and will continue to set the bar high. We are confident that each utility will continue to increase its level of CARE participation and will maintain its current level of Low-Income Energy Efficiency services.

We also note that this decision is unusual for the Commission, because it often deals with very small amounts of money. While the amounts at issue are often tiny from a statewide perspective, they are not insignificant to the smallest of the utilities, nor are they unimportant to potential program beneficiaries and the greater body of ratepayers.

III. CARE Program

The CARE program provides energy rate discounts to qualifying low-income customers. It is the Commission's policy to encourage the utilities to pursue 100% CARE program enrollment for qualifying customers. Here, we address the SMJUs' proposed Program Year 2005 CARE penetration benchmarks, enrollment targets, activities, administrative budgets and the subsidies/discounts provided to participating customers, as presented in the SMJUs' applications, various reports and utility data responses.

A. Income Guidelines and Discount

The CARE discount provided to SMJU customers is a 20% reduction for the total gas and/or electric bill. Income guidelines for the SMJU are also currently the same as for the large utilities. This was not always the case. The Energy Division reports the following current income guidelines:

CARE Income Guidelines for June 1, 2005 through May 31, 2006	
Household Size	***CARE & Low-Income Energy Efficiency Program***
1 - 2	$24,400
3	$28,400
4	$34,200
5	$40,000
6	$45,800
Each Additional Household Member	$ 5,800

B. CARE Participation Achievements and Targets

According to the 2000 census, approximately 24.29% of households in California have income less than $24,999 per year. Roughly 29.96% of the families in California have incomes of less than $34,999 per year.[3]

In the following table, the Energy Division depicts the number of residential customers, relative to the eligible CARE populations for each utility. The numbers reflect permanent or year-round residents, wherever that data was available.

Utility Estimated 2004 CARE Eligibility Rates

Utility	Total Residential Customers	Total Primary/ Year-Around Residential Customers	Utility Estimated CARE Eligible at 12/31/03	% of Total Residential Customers	% of Primary Residential Customers Eligible for CARE
Alpine (1)	841	841	27	3.2%	3.2%
Avista	17,200	10,566	1,162	6.7%	11.0%
Bear Valley	21,578	6,418	2,030	9.4%	31.6%
PacifiCorp	34,247	33,857	15,574	45.5%	46.0%
Sierra	39,812	19,906	2,300	5.8%	11.6%
Southwest (2)	135,824	124,179	32,783	24.1%	26.4%
WCG	1,262	1,262	45	3.6%	3.6%
Total	**250,764**	**197,029**	**53,921**		

(1) Because of a lack of data, the Energy Division assumed that all Alpine residential customers are year-round customers, and therefore are in the pool of customers eligible for CARE, depending on income.

As shown in the table above, it appears that Bear Valley and PacifiCorp have low-income concentrations higher than the statewide average, while Alpine, Sierra and West Coast Gas have low-income populations significantly lower than the statewide average.

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3 See US Census Bureau website at http://factfinder.census.gov/servlet/QTTable?_bm=y&-geo_id=050000USO6003&-qr_name=DEC_2000_SF3_U_DP3&-ds_name=DEC_2000_SF3_U&-_lang=en&-redoLog=false&-_sse=on&-CONTEXT=qt.

In D.02-07-033, the Commission directed the utilities to seek a CARE participation goal of 100. In recognition of the fact that it may not be possible to achieve close to 100% participation right away, the Commission set benchmark penetration levels for each utility to achieve over the subsequent years. In D.03-03-007, the Commission set the most recent benchmarks for the SMJUs. The Energy Division recommends that the Commission set higher benchmarks for the SMJUs for 2005 and continue to require aggressive outreach and recertification efforts, with the caveat that each utility's eligible population, benchmarks and budgets may need adjusting depending on the results of the currently-pending Needs Assessment Study.

The following table compares the actual enrollment, and the targets established by the Commission, in D.03-03-007, for 2003 and 2004. In addition, the table presents the utilities' proposed enrollment targets for 2005, and, based on the utilities' proposed enrollment target for 2005, the incremental increases to CARE program enrollment that would occur if the utilities' proposed target is adopted and achieved.

CARE Enrollment Compared with CPUC Prescribed Enrollment Targets for 2003 – 2004									
Utility	**Utility Estimated Eligible Population 1/1/04**	**Addition to Enrolled in 2003**	**Enrolled at 12/31/03**	**2003 Target Per CPUC (1)**	**Utility Estimated Addition to Enrolled for 2004**	**Utility Estimated Enrolled at 12/31/04**	**2004 Target Per CPUC (1)**	**Utility Proposed Addition to Enrolled for 2005**	**Utility Estimated Enrolled at 12/31/05**
Alpine	23	N/A	23	22	4	27	33	4	31
Avista	1,175	267	942	846	130	1,072	1,027	39	1,111
PC	15,574	1,049	3,336	8,556	1,109	4,445	9,982	1,581	6,026
Sierra	2,300	74	1,108	1,840	169	1,277	2,070	83	1,360
BVES	2,030	(31)	1,569	1,522	(10)	1,559	1,726	105	1,664
SWG (2)	31,314	403	21,634	22,936	2,781	24,415	23,440	1,760	26,175
WCG	40	27	40	20	4	45	25	0	46
Totals	**50,426**	**1,789**	**28,561**	**35,742**	**3,062**	**31,745**	**38,303**	**3,751**	**35,316**

(1) Pursuant to D.03-03-007, see p.43.
(2) The participation rates for Southwest Gas differ than those presented by the utility because of the difference in estimating the eligible population.

As shown in the tables, Alpine, Avista and West Coast Gas met or exceeded their Commission ordered targets for 2003. For 2004, only Avista, Southwest Gas and West Coast Gas exceeded their targets. However, Bear Valley, Sierra and PacifiCorp failed in meeting their targets. For 2005, Alpine, PacifiCorp, Sierra, and Bear Valley all request an enrollment target that is lower than those adopted for 2004.

The following table compares actual participation rates with the targets established by the Commission in D.03-03-007 for 2003 and 2004. In addition, this table also shows the utilities' proposed benchmarks for 2005, and, the incremental increases to CARE program enrollment that would occur if each utility achieved reached its proposed benchmark for 2005.

Historical and Proposed Penetration Rates Compared with Commission Benchmarks (1)							
Utility	**Utility Estimated Eligible Population at 1/1/04**	**D.03-03-007 Ordered Target for 2003**	**Percentage Enrolled at 12/31/03**	**D.03-03-007 Ordered Target for 2004**	**Enrolled at 12/31/04**	**Utility Proposed Target for 2005**	**2005 Utility Proposed Addition to Enrolled**
Alpine	23	100%	100%	100%	100%	100%	4
Avista	1,175	70%	80%	85%	91%	95%	39
PC	15,574	60%	21%	70%	29%	39%	1,581
Sierra	2,300	80%	48%	90%	56%	59%	83
BVES	2,030	75%	77%	85%	77%	77%	105
SWG	31,314	91%	69%	93%	78%	80%	1,760
WCG	40	100%	100%	100%	100%	100%	(1)
Totals	**50,426**						**3,751**

(1) Because Energy Division used the most recent utility estimate of eligible, the penetration rates in the table may be different than those in the utilities' applications.

Based on the information provided by the utilities, it appears that Alpine, Avista and West Coast Gas are doing an excellent job of locating, enrolling and recertifying their CARE-eligible customers. Bear Valley and Southwest Gas also appear to be doing a reasonable job.[4] However, it appears that PacifiCorp and Sierra need to step-up their outreach and enrollment practices to increase their CARE penetration rates.

1. Alpine Participation Rates

With the smallest number of residential customers of all the SMJUs, Alpine provides natural gas to approximately 841 customers throughout Calaveras County, specifically the subdivisions of La Contenta, Hogan Dam Estates and Rancho Calaveras.

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[4] The penetration rates for the Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company range from 73-86%. See the Rapid Deployment Reports on PY 2004 submitted by these utilities, dated February 22, 2005.

Alpine does not expect to attain the 2004 target of 33 customers as ordered by the Commission in D.03-03-007. Alpine points out that this original target served as an approximation, since Alpine's program had been in existence for less than two years and historical data on the income levels of its customers was limited. Alpine estimates that its low-income customer base should continue to grow in 2005, increasing the number of CARE-eligible customers to 30.

Until the Energy Division can refine the estimate of eligible customers, or the results of the Needs Assessment Study become available, the adoption of Alpine's proposed CARE penetration Benchmark and enrollment target be approved. We agree that this appears to be the most reasonable approach to take, considering the paucity of available data.

2. Avista Participation Rates

Avista (now part of Southwest Gas) provides gas service to approximately 17,041 residential customers in its South Lake Tahoe service area. In its July 30, 2004 CARE Annual Report, Avista estimated that approximately 39% of their connections are for seasonal or secondary homes which are not eligible for CARE, leaving approximately 10,566 permanent residential customers.

Avista states that it enrolled an additional 267 customers for a total of 942 CARE participants in 2003, exceeding its Commission authorized target by nearly 11%. Avista also reports that it also surpassed its 2004 enrollment target of 1,027 with 1,072 enrolled customers. Avista proposes a PY 2005 minimum penetration target of 1,111 CARE customers, estimating that it will add 39 more customers to its CARE program in 2005.

In its July 30, 2004 CARE Annual Report, Avista reported on poverty statistics in the Lake Tahoe area indicating that the eligibility rate is about 55% of the statewide norm. Applying 55% to the 2003 statistics cited earlier in this report would result in 13.35%-16.47% of the year-round residents being eligible or from 1,411-1,741 customers.[5]

The Energy Division recommends that Avista's estimated eligible population be adjusted upward in the interim until the results of the Needs Assessment Study are available. The Energy Division recommends that Avista would increase its net enrollment in 2005 by 108 customers.[6] This number is derived by using the lower end of the range discussed above (1,480) as a proxy for the number of eligible customers, and assuming an 80% penetration rate. This would result in 1,180 enrollees, a net increase of 108. Southwest Gas, as the new provider in the former Avista service territory, commits itself to meeting this target, and we will adopt it.

3. PacifiCorp Participation Rates

PacifiCorp provides electric service to approximately 34,247 full-time residential customers, in the counties of Siskiyou, Modoc, Del Norte, Trinity and Shasta, of which PacifiCorp estimates that 15,574 or 45% are CARE-eligible. The utility estimates that it will enroll additional 1,581 new CARE customers in 2005. PacifiCorp's service area does not overlap with other energy utilities. PacifiCorp began implementing CARE in 1989.

The Energy Division concludes that PacifiCorp has not done a good job of reaching its eligible population and increasing enrollment. Due to the rural and diverse nature of PacifiCorp's territory and its high volume of low-income

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[5] For households with incomes of less than $24,999, 1,411 would be eligible (10,566 * .2429 * .55). For families with income of less than $34,999, 1,741 would be eligible (10,566 * .2996% * .55).

[6] Net additions to enrollment are the gross additions less those customers who leave the CARE rate.

customers, the Energy Division feels it is imperative that PacifiCorp exceed its proposed 2005 penetration benchmark of 39% (and enrollment of 6,026 customers). To meet this benchmark and target, PacifiCorp would need to enroll a net of 1,581 new CARE-eligible customers.

The Energy Division recommends that the Commission set a benchmark of 70% with a target of 10,902 enrolled by PacifiCorp by the end of 2005. To meet this benchmark and target means that PacifiCorp would need to achieve a net increase of 6,457 CARE-eligible customers in 2005.

In its Annual CARE and Low-Income Energy Efficiency Program Report submitted May 1, 2005, PacifiCorp reports that it added 1,109 customers in 2004, bringing the total enrolled for the CARE program to 4,445 at December 31, 2004. The company points out that the 2,158 additional customers added during the two completed program years represent more than a 50 percent increase in number of CARE participants. The 4,445 enrolled customers represent approximately 29 percent of the number of Company residential customers that may be eligible for CARE participation. PacifiCorp acknowledges that its CARE participation rates are not as high as the Energy Division, the Commission and PacifiCorp would like to see realized, but asserts that enrollment efforts since 2002 have been steady and productive.

While the company states that it is not satisfied with the current participation rate, it does not believe that it has done a poor job of reaching the possible eligible population. In an attachment to its comments on the Energy Division report, PacifiCorp outlined its recent CARE outreach activities. The Company sent bill inserts explaining CARE and enrollment procedures to all of its residential customers in January and September 2004. It included CARE program information in an article in “Voices,” the Company’s customer newsletter, sent to all residential customers in February and July 2004. The

CARE program was the subject of a bill message sent to all residential customers in August and December 2004. In October, 2004 and again in January, 2005 the Company sent direct mailings with CARE program information to a total of approximately 19,600 customers in the portions of its service territory with high percentages of low income households. It included a CARE application form in each letter, as well as a postage-paid, return envelope addressed to PacifiCorp. Prior to the winter heating season, the Company conducted radio and newspaper promotions explaining the CARE program. PacifiCorp also provided program details through information printed on thousands of bags distributed through a local pharmacy and has offered program information by way of counter displays in community agency offices.

With these outreach efforts have come increased participation rates and PacifiCorp expects to see further growth in enrollment from these continuing outreach efforts. In addition to past efforts, PacifiCorp states that it is willing to initiate self-certification procedures in the hopes of further increasing participation rates. The Company argues, however, that even with self-certification, it may not be able to achieve the Energy Division's recommended target of 70%, representing 10,902 enrolled participants for program year 2005. First, it will take several months for self-certification procedures to be put in place. Second, while the Company believes that self-certification should result in increased participation, it is unlikely that this (along with continued aggressive outreach efforts) will cause participation rates to soar.

PacifiCorp suggests that one factor dampening participation rates in its California service territory may be the sheer number of eligible customers. In D.89-07-062, issued in July 1989, the interim order issuing guidelines for the CARE program allowed PacifiCorp to limit its program to households at or below 130% of federal poverty level, compared to 150% of the federal poverty level for all other utilities in California. The rationale for this decision was that the average household income within the service territory was significantly below that of the State of California and 130% would yield an eligibility rate roughly commensurate with that of the other utilities. With the implementation of D.02-01-040 in January 2002, the income limits for the PacifiCorp program increased from 130% to 175% of the federal poverty guidelines. This significantly increased the number of customers eligible for the program.

PacifiCorp argues that a customer whose income is close to average in the service area may be reluctant to participate in a program labeled as "low income." Further, the company points out that the value of the discount in its service territory may be significantly lower than it would be, for instance, in the Pacific Gas & Electric Company's (PG&E) territory. According to PacifiCorp, its average California residential customer uses 913 kwhs of electricity per month. In a winter month, a customer with that level of consumption would be billed $77.45 under PacifiCorp's residential Schedule D, while a customer on PG&E's Residential Schedule E-1 using the same amount of power would be charged $139.66.

The Company recognizes that all CARE-eligible customers should be apprised of their eligibility and if they wish, should be enrolled in the program. What the Company is contending is that there may be some customer inertia involved in enrolling in the program, and asks the Commission to consider this factor in evaluating PacifiCorp's performance.

PacifiCorp raises many valid points describing the challenges that it faces in finding and enrolling its CARE customers. However, none of these factors mitigate the difficulty that customers living near the poverty line experience in meeting all of their costs, including those for electric utility service. We are interested neither in casting blame, nor grading performance. We are determined, nonetheless, to do all we can to raise the participation level to as close to 100% of the eligible customers as is feasible. While PacifiCorp has demonstrated that it has increased its efforts within the past two years to enroll CARE customers (with some apparent success), it has not demonstrated that it has exhausted its potential to maximize enrollment. It is reasonable to direct PacifiCorp to focus its efforts, during the remainder of 2005, to come as close to 70% CARE participation target as it can.

4. Sierra Pacific Participation Rates

Sierra provides electric service to approximately 39,000 residential customers in California’s Nevada, Placer, Sierra, Plumas, Mono, Alpine and El Dorado counties, with 80% of its customers located within the western portions of the Lake Tahoe Basin. Southwest Gas and Avista provide natural gas service within Sierra Pacific’s service territory. Sierra points out that its largest population center is in the City of South Lake Tahoe and most of its customers are located at elevations over 6000 feet. Sierra indicates that approximately half of the residential homes are non-qualified second homes or vacation rentals. Sierra has been offering CARE to its customers since 1989.

When discussing why its penetration rate is not increasing, Sierra suggests that its estimated number of CARE-eligible customers may be overstated. Without the results from the Needs Assessment Study, it is difficult to ascertain whether or not Sierra is correct.

The Energy Division asks the Commission to require Sierra to report on the number of its customers by census block or zip code. That information would assist Energy Division in analyzing Sierra's estimate of eligible customers, and we direct the company to do so.

For 2004, the Commission set a target of 2,070 CARE customers for Sierra. The company's CARE customer enrollment at the end of 2004 was only 1,277. In its application, the utility predicted that would enroll 1,366 customers by the end of 2005, achieving a participation rate of only 59%.

The Energy Division recommends that Sierra be directed to seek a total enrollment of 1,725, which would boost its participation rate to 75% (1,725/2,300). In its comments on the Report, Sierra states that it had enrolled 1,379 customers as of April 2005. Nonetheless, it does not expect to achieve an additional increase of almost 400 customers by the end of the year, even with its current and planned outreach efforts. Because Sierra has not been successful in achieving a participation level comparable to most other California utilities, it is reasonable to direct the company to pursue a 70% CARE participation target and encourage Sierra to apply extra effort to reach this goal in the remainder of 2005.

5. Bear Valley Participation Rates

Southern California Water Company owns and operates Bear Valley Electric and provides electric service to approximately 21,578 residential customers in the Big Bear Lake resort area of the San Bernardino Mountains. Bear Valley reports that approximately two-thirds of its residential customers live only part-time in the service territory, with vacation and seasonal homes in the area, while the remaining one-third, or roughly 6,418 customers are full-time residents. Bear Valley estimates that approximately 2,030 or 32% of its full-time customers are CARE-eligible.

In the amendment to its Application, submitted on January 12, 2005, Bear Valley indicates that it reviewed data from Census 2000 for the three zip codes in its service area, and now estimates that only 27% of its full-time residential customers qualify for CARE. However, it notes that it has not adopted that level, awaiting the results of the Needs Assessment Study. Utilizing this estimate would result in only 1,685 customers that would be income-eligible for CARE. If Bear Valley were correct, that would mean that the estimated penetration rate at December 31, 2004 would be 86%.

In its CARE Annual Report Revision, submitted on March 1, 2005, Bear Valley indicates that 1,506 customers were participating in CARE in July-August of 2003. Bear Valley has not made any significant progress since then in enrolling new CARE customers. In fact, Bear Valley has lost 176 CARE customers since December 31, 2002.

Bear Valley predicted an enrollment as of December 31, 2004, totaling 1,559, although its authorized target is 1,726. Bear Valley predicts that CARE enrollment will reach 1,664 customers in PY 2005, an increase of 105.

The Energy Division asks the Commission to set a penetration rate benchmark of at least 79% for 2005, which would achieve a total enrollment of 1,600 CARE customers. If Bear Valley's new estimate of eligible customers is correct, it would achieve a benchmark of 98%. We encourage Bear Valley to strive to meet this target.

6. Southwest Gas Participation Rates

Southwest Gas provides natural gas service to approximately 124,179 permanent/year-round residential customers in the high desert and mountain areas of San Bernardino County and in the Lake Tahoe area in Placer, El Dorado and Nevada counties, with approximately 24% of those eligible for CARE.

Southwest Gas indicates that most of its CARE-eligible customers reside in the southern California area: 83% within the Victorville district and 9% in Barstow.

Southwest Gas reports that as of December 31, 2004, its CARE enrollment had reached 24,415 customers, exceeding its Commission-imposed PY 2004 penetration target of 23,440. Southwest Gas predicts 1,760 additional CARE enrollments for PY 2005 to reach 25,200 participants, reflecting an 80% participation rate.

Southwest Gas states that reaching the remaining CARE-eligible customers will be difficult as it continues to strive towards 100% penetration. Southwest Gas points out that its past success is due to a large low-income population that is receptive to the CARE program. The Energy Division reports that the four large energy utilities have achieved similar results, with penetration rates ranging from 73-86% at the end of 2004. The Energy Division proposes that the Commission adopt an 85% benchmark for Southwest Gas' 2005 penetration with a target of 27,866 enrolled, arguing that with the current program's high success rate, it seems that Southwest Gas would be able to attain a further increase in enrollment. We congratulate Southwest Gas for the success it has had in meeting and exceeding its targets and adopt the new 85% target as proposed by the Energy Division.

7. West Coast Participation Rates

West Coast Gas serves the former Mather Airfield base in Sacramento County, and the Castle Air Force Base in Merced County. West Coast Gas indicates that most of its residential housing is single family homes, less than two-years old, with most of the housing being owner-occupied.

The total number of CARE program participants, as of January 1, 2002, was 13, and West Coast indicated that as of December 31, 2004, it had enrolled 45 customers, an increase of more than 300%. As of June 30, 2004, the total number of CARE participants was 49. The Commission adopted a CARE penetration rate target for PY 2003 of 12, and for PY 2004 the target was 25. West Coast Gas proposes that its target enrolled for 2005 should be 44, which would actually result in a net decrease in enrolled for the year.

The Energy Division recommends that West Coast Gas' CARE penetration benchmark and enrollment target be approved, on an interim basis until the report on the Needs Assessment Study is complete.

We concur with the Energy Division's praise of West Coast Gas for its ability to increase the amount of CARE customers, considering its small budget and staff. Until the Energy Division can refine the estimate of eligible customers or the Needs Assessment Study is complete, we agree with the Energy Division that West Coast Gas' benchmark continue to be set at 100% and that we should set a target enrollment of 50 for 2005, a net increase of 5 from the company's estimated participants at December 31, 2004.

8. Comparison of CARE Participation Proposals and Recommendations

The following table compares the utilities' proposed penetration targets and targeted enrollment increases with the adopted PY 2005 CARE penetration rates for each utility and the incremental increase of new participants required in order to meet the recommended targets.

CARE Penetration Targets								
	Commission Authorized		Utility Proposed			Adopted		
Utility	D.03-03-007 2004 Target	D.03-03-007 2004 Projected Enrolled	2005 Target	Utility Proposed Enrollment At 12/31/05	2005 Utility Proposed Addition to Enrolled	2005 Penetration Target	Projected Enrolled At 12/31/05	2005 Projected Enrollment Increase
Alpine	100%	33	100%	21	4	100%	30	4
Avista	85%	1,027	95%	1,111	39	80%	1,180	103
PC	70%	9,982	39%	6,026	1,581	70%	10,902	6,482
Sierra	90%	2,070	59%	1,360	83	75%	1,725	448
BVES	85%	1,726	77%	1,664	105	80%	1,624	65
SWG	93%	23,440	80%	26,175	1,760	85%	27,866	3,451
WCG	100%	25	100%	45	0	100%	50	5
TOTAL		38,303		36,412	3,572		43,377	10,558

C. CARE Outreach

The following table shows actual and proposed spending levels for CARE outreach as reported by the utilities and the number of new CARE participants each utility expected to attract through those expenditures.

Outreach Compared With Utility Proposed CARE Additions							
Utility Actual & Proposed Total CARE Outreach Funding				Utility Estimated and Proposed Additions to CARE Enrollment			Estimated Primary Residential Customers
Utility	2003 Actual	2004 Expected	2005 Proposed	2003	2004	2005	
Alpine (1)	$50	$50	$100	x	4	4	841
Avista	$438	$6,690	$18,800	267	130	39	10,566
PC	$55,927	$22,008	$42,000	1,049	1,109	1,581	33,857
Sierra	$21,888	$10,329	$10,593	74	169	83	19,906
BVES	$1,401	$1,000	$1,500	1,569	(10)	105	6,418
SWG	$85,908	$59,086	$77,600	403	2,781	1,760	124,179
WCG	$575	$375	$500	27	5	0	1,262
TOTAL	**$276,651**	**$99,438**	**$151,093**		**4,188**	**3,468**	**197,029**

(1) Energy Division used Alpine's total residential customers. Alpine did not provide the number of primary or full-time residential customers.

(2) Bear Valley did not report on CARE costs in its Annual Report. Although notified of this deficiency, the report remains deficient.

The Energy Division states that it considered various approaches to determining if the budgets appear reasonable and sufficient, or if adjustments should be made. One approach involved evaluating the utilities' penetration achievements. When a utility meets or exceeds its benchmark, there is some assurance that the utility is not conducting inadequate outreach. The Energy Division also considered such factors as the proposed outreach cost per target customer compared to the same utility's cost per customer in other years, as well as comparable costs for other utilities. Finally, Energy Division considered each utility's average cost of outreach per newly-enrolled CARE customer over recent years, and compared these costs with those of other utilities.

1. Alpine Outreach

Alpine CARE Outreach Expenditures

Estimated 2004 Residential Customers	Utility Estimated Eligible At 1/1/04	2003 Costs	2003 Addition to Enrolled	2004 Outreach Costs	2004 Addition to Enrolled	2005 Utility Proposed Outreach Costs	2005 Utility Proposed Addition to Enrolled	Energy Division 2005 Recommended Increase in Enrollment
700	23	$50	N/A	$50	4	$100	4	4

Alpine Average Outreach Costs

	2003	2004	2005 Utility Proposed Costs
Per Additions to Enrollment	N/A	$12.50	$25.00
Per Total Residential	0.07	$ 0.06	$ 0.14

Alpine's current outreach consists of printing and mailing applications and bill inserts. The Energy Division suggests that Alpine establish a website for consumers who wish to contact the utility for new or existing service with easy, accessible CARE and Low-Income Energy Efficiency information, forms and referral numbers. The Energy Division suggests that Alpine should be able to achieve their outreach target with reasonable costs and expenditures, due to its small service territory and limited number of customers, and recommends that Alpine be required to continue to monitor low-income customer growth within its area to ensure that new eligible customers are immediately enrolled in the

CARE program. With its proposed outreach budget, plus $50, Alpine should be able to achieve its targets with reasonable expenditures. The Energy Division recommends approval of Alpine's proposed CARE outreach budget, with an increase of $50 to explore establishing a website. This is a reasonable suggestion, and we will adopt it.

2. Avista Outreach

Avista CARE Outreach Expenditures

Estimated 2004 Residential Customers	Utility Estimated Eligible At 1/1/04	2003 Costs	2003 Addition to Enrolled	2004 Outreach Costs	2004 Addition to Enrolled	2005 Utility Proposed Outreach Costs	2005 Utility Proposed Addition to Enrolled	Energy Division 2005 Recommended Increase in Enrollment
11,076	1,175	$17,438	267	$6,690	130	$18,800	39	103

Avista Average Outreach Costs

	2003	2004	2005 Utility Proposed Costs
Per Additions to Enrollment	$65.31	$51.46	$482.05
Per Total Residential	1.57	$ 063	$ 1.69

While Avista deployed various outreach strategies in the past, it chose direct customer contact as its preferred method. Avista currently has two CARE bill inserts: one in June, after the annual update to income guidelines; and one in October, at the onset of their cold weather season. The company prints quarterly CARE information messages on the face of its bills. It has an "on-hold" phone message to customers about CARE and also sends out CARE-related flyers with past-due notices.

Avista has an enhanced billing system that assists Call Center representatives with CARE promotion to new customers, creates queries and CARE status reports for outreach personnel, and facilitates a data exchange with Sierra Pacific for enrolling shared customers into CARE. In addition, Avista entered into a contract with the El Dorado Community Services to conduct certification and outreach, provide CARE applications and brochures at its offices, and distribute door hangers in targeted low-income areas. The company's meter-readers distributed CARE information as well as separate CARE recertification guidelines printed on door hangers, which in Energy Division's opinion, was one of the most innovative uses of resources to distribute CARE information. These all appear to be very constructive efforts.

Pursuant to D.03-03-007, Avista is required to track and report its El Dorado Community Services outreach expenditures in order to evaluate whether an in-house program would be more cost effective. The Energy Division recommends that the Commission continue to require Avista to track and report these expenditures separately. We will so require.

The Energy Division recommends that, in addition to conducting its processing, certifying and verification efforts through El Dorado Community Services, Avista begin to mail out a self-certification application with its twice-yearly bill insert and modify its outreach materials to indicate customers can now self-certify, if customers elect to do so. The Energy Division notes that along with the reduction in outreach in 2004, net additions to enrollment fell off. The Energy Division believes that if Avista improves its website (as discussed below) and institutes a self-certification effort, the company can improve its outreach effort within Avista's recommended budget.

ORA supports the Energy Division in this regard, and recommends that the Commission require Avista, PacifiCorp, Sierra, and any other SMJUs that rely on the Department of Community Services and Development for certification and enrollment, to adopt additional certification and enrollment procedures to reach customers that do not qualify for or participation in other programs, and to file this information with the Commission.

Southwest, in its role as service provider to Avista's former customers, responds that it agrees with the Energy Division's self-certification proposal and that it will allow the contract with El Dorado to expire if it is more cost effective for Southwest to operate the program in-house. We do not understand the Energy Division proposal to suggest that Southwest or Avista terminate the existing contract, only that the utility should augment that program with in-house promotion and self-certification. It makes sense to expand the options in this manner, to encourage higher enrollment. Thus, we will direct Avista, and the other SMJUs, to commence self-certification efforts. While we always encourage each utility to monitor the cost-effectiveness of its enrollment efforts, we do not want this to be interpreted as a desire on the Commission's part to eliminate the use of outside contractors.

The Energy Division reports that Avista's website does not provide easily-accessed information for California residents or low-income customers. Southwest responds that with its acquisition of Avista's California service territory, the former Avista customers are no longer referred to the Avista website. Thus, the concerns raised by the Energy Division related to the Avista site are now moot.

3. PacifiCorp Outreach

PacifiCorp CARE Outreach Expenditures

Estimated 2004 Residential Customers	Utility Estimated Eligible At 1/1/04	2003 Costs	2003 Addition to Enrolled	2004 Outreach Costs	2004 Addition to Enrolled	2005 Utility Proposed Outreach Costs	2005 Utility Proposed Addition to Enrolled	Energy Division 2005 Recommended Increase in Enrollment
33,857	15,574	$55,927	1,049	$22,008	1,083	$42,000	1,581	6,482

PacifiCorp Average Outreach Costs

	2003	2004	2005 Utility Proposed Costs
Per Additions to Enrollment	$53.31	$19.84	$26.56
Per Total Residential	1.65	$ 065	$ 1.24

As discussed above, PacifiCorp states that it increased outreach activities in 2003 and 2004 and will continue to do so in 2005 with bill inserts, flyers, napkins and grocery bags at local agency offices, a direct mail solicitation, along with radio and newspaper advertisements. PacifiCorp indicates that it intends to increase its outreach efforts significantly in 2005 in an effort to increase penetration. CARE applicants are income-certified by the Department of Community Services and Development.[7]

As with Avista, the Energy Division recommends that in addition to conducting its processing, certifying and verification efforts through the Department of Community Services and Development, PacifiCorp begin to mail out a self-certification application with its twice-yearly bill insert and modify its outreach materials to indicate that customers can now elect to self-certify.

In its comments on the Energy Division report, PacifiCorp stated that it is willing to explore with the Energy Division implementation of a self certification program in anticipation of this. PacifiCorp contemplates that it will need to seek authorization to expend monies exceeding its current program budget to implement the incremental costs of self certification and other efforts that may contribute to meeting the Energy Division's recommended target. Upon Commission authorization, the company contemplates implementing a promotion campaign that will utilize bill messages, press releases, radio and newspaper ads, bill inserts and distribution of CARE program information at local events and to local agencies.

With so many qualified, yet-to-be-enrolled customers, we are pleased that PacifiCorp is willing to pursue a self-certification program and hereby direct the company to do so. It is not immediately evident that the use of a self-certification process will increase overall program costs. To the contrary, we would expect

[7] The Department of Community Services and Development is the state-level partner with the network of local community service agencies in the mission to assist low-income Californians in achieving self-sufficiency, and it plays a strategic role in promoting collaboration among state agencies that address the needs of the poor.

that overall administrative costs may decrease, if a successful self-certification effort reduces the income verification burden. In addition, even if costs do rise, there should be substantial slack in the 2005 budget as we are approving it at a date far into the calendar year. It is incumbent on PacifiCorp to make the case for additional funding, if the need arises.

Because PacifiCorp needs to substantially increase the amount of eligible, participating CARE customers, the Energy Division endorses the higher amount of outreach monies proposed by the utility to perform this task with an average outreach cost of $1.24 per customer spread across the potentially-CARE-eligible residential base. The Energy Division recommends that PacifiCorp's proposed outreach budget be approved, even though it is double that of 2004's estimated expenditures, to support these additional outreach efforts and activities. We agree that the larger budget is appropriate in light of the significant challenges PacifiCorp is likely to face in pursuing our approved participation target.

4. Sierra Pacific Outreach

Sierra Pacific CARE Outreach Expenditures

Estimated 2004 Residential Customers	Utility Estimated Eligible At 1/1/04	2003 Costs	2003 Addition to Enrolled	2004 Outreach Costs	2004 Addition to Enrolled	2005 Utility Proposed Outreach Costs	2005 Utility Proposed Addition to Enrolled	Energy Division 2005 Recommended Increase in Enrollment
17,500	2,300	$21,888	74	$10,329	169	$10,593	83	359

Sierra Pacific Average Outreach Costs

	2003	2004	2005 Utility Proposed Costs
Per Additions to Enrollment	$296.00	$61.11	$127.62
Per Total Residential	1.25	$ 0.52	$ 0.61

To increase CARE participation, Sierra uses twice-yearly billing inserts, in English and Spanish; recently-developed direct postcard mailings to permanent residential customers; quarterly CARE messages printed on front-facing residential bills, and posters/flyers in high-traffic low-income community facilities. Sierra has developed a customer-friendly website that the Energy Division describes as exceedingly easy to use.

The utility's 2004 average Outreach cost was $61.11 per newly-enrolled customer. The Energy Division argues that the utility's proposal to increase its expenditure per newly-enrolled customer to $127.62 is unreasonable unless it were to accomplish a substantial increase in CARE customers.

As with Avista and PacifiCorp, the Energy Division recommends that in addition to its arrangement with the Department of Community Services and Development, Sierra should begin to mail out a self-certification application with its twice-yearly bill insert and modify its outreach materials to indicate customers can now self-certify. The Energy Division recommends that $3,000 be added to Sierra's outreach budget, for a total budget of $14,000 to accomplish these activities in 2005.

Sierra responded to this recommendation by offering to mail out applications to customers with twice-yearly bill inserts, but to require that customer return completed applications, proof of household income, and a copy of the customer's utility bill to the Department of Community Services and Development for processing and certification. Sierra states that it offers many easy and convenient ways for a customer to apply for CARE, and that self-certification is not warranted at this time. The company argues that self-certification seems to go against the established CARE enrollment procedures and violate the integrity of the CARE program by allowing customers to enroll in the program without income verification.

This argument fails to take into account the Commission's ongoing commitment to the use of self-certification procedures. In Resolution E-3586, dated January 20, 1999, the Commission directed each of the larger energy utilities to institute self-certification programs. At that time, the Commission responded to concerns similar to those raised by Sierra Pacific by concluding, "Self-certification for the CARE program, with random post-enrollment verification, along with reasoned judgment to weed out potential abusers, and signed enrollment statements should provide adequate protection against the continued enrollment of non-eligible customers, while keeping the costs of program administration down."[8] More than six years later, self-certification remains an integral part of the CARE program as it affects most California customers. As this Commission and the utilities strive to increase over-all participation rates, it is appropriate to extend the availability of self-certification to the customers of other utilities, as well. Thus, we will direct Sierra Pacific to institute such a program.

5. Bear Valley Outreach

Bear Valley CARE Outreach Expenditures

Estimated 2004 Residential Customers	Utility Estimated Eligible At 1/1/04	2003 Costs	2003 Addition to Enrolled	2004 Utility Estimated Outreach Costs	2004 Addition to Enrolled	2005 Utility Proposed Outreach Costs	2005 Utility Proposed Addition to Enrolled	Energy Division 2005 Recommended Increase in Enrollment
6,241	2,030	$11,401	(31)	$1,000	(145)	$1,500	105	145

Bear Valley Average Outreach Costs

	2003	2004	2005 Utility Proposed Costs
Per Additions to Enrollment	N/A	N/A	$10.34
Per Total Residential	1.83	$ 0.16	$ 0.24

Bear Valley asserts that the most cost-effective outreach method in its service area involves the use of bill inserts and direct mailers. Bear Valley's website is customer-friendly and provides easy access to the CARE forms and information, although it is not available in the "New Service" section of the website. The "News" section has several CARE articles.

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[8] Resolution E-3584, Discussion Paragraph 8, *mimeo* p.29.

The Energy Division recommends that Bear Valley step-up its outreach program and requests that the company's website be updated to include detailed new customer service information procedures along with a link to the CARE guidelines and forms.

Due to its large service area, many methods of outreach may prove too costly, although the Energy Division suggests that Bear Valley meter readers could leave CARE information door hangers. The Energy Division also recommends that Bear Valley update its web-site for new service customers to include CARE information and that Bear Valley try other methods of outreach that may prove effective. For this purpose, Energy Division recommends an increase of $1,500 in the company's proposed budget for a total of $3,000 for outreach in 2005. Bear Valley has not offered comments in response to this proposal. We will approve the increased outreach budget in order to encourage the utility to continue pushing for a higher level of participation.

6. Southwest Gas Outreach

Southwest Gas CARE Outreach Expenditures

Estimated 2004 Residential Customers	Utility Estimated Eligible At 1/1/04	2003 Costs	2003 Addition to Enrolled	2004 Outreach Costs	2004 Addition to Enrolled	2005 Utility Proposed Outreach Costs	2005 Utility Proposed Addition to Enrolled	Energy Division 2005 Recommended Increase in Enrollment
118,952	31,314	$85,908	403	$59,086	2,781	$77,600	1,760	3,177

Southwest Gas Average Outreach Costs

	2003	2004	2005 Utility Proposed Costs
Per Additions to Enrollment	$213.17	$21.24	$44.09
Per Total Residential	0.72	$ 0.48	$ 0.65

Southwest Gas' outreach activities include enrollment incentives with several community-based organizations (capitation), targeted mailing, media, bill inserts, and joint utility data sharing.

As mentioned earlier, Southwest Gas has joined with other California utilities to administer and market the CARE and Low-Income Energy Efficiency programs statewide. Southwest Gas distributes brochures, door hangers, application inserts, and posters in both English and in Spanish. Southwest Gas is unique in that it airs radio spots advertising the low-income programs as well as presenting movie theater on-screen ads.

Southwest Gas and Southern California Edison, which serve many of the same customers, electronically share their respective lists of CARE customers. Through this process, Southwest Gas identified approximately 10,000 potentially-eligible customers to whom it sent CARE applications in both English and Spanish. Southwest's website has complete CARE information and it is extremely easy to access, although CARE information is not available in Spanish.

The Energy Division commends Southwest Gas for its excellent use of resources to increase enrollment. Southwest Gas' website has complete CARE information and it is extremely easy to access. The Energy Division recommends, however, that Southwest Gas offer CARE information on its website in Spanish. The Energy Division also suggests, and we agree, that Southwest Gas' proposed budget of $77,600 is reasonable, given the large and diverse base of residential customers in its two distinct and separate service areas. We will approve the outreach budget, as proposed.

7. West Coast Outreach

West Coast Gas CARE Outreach Expenditures

Estimated 2004 Residential Customers	Utility Estimated Eligible At 1/1/04	2003 Costs	2003 Addition to Enrolled	2004 Outreach Costs	2004 Addition to Enrolled	2005 Utility Proposed Outreach Costs	2005 Utility Proposed Addition to Enrolled	Energy Division 2005 Recommended Increase in Enrollment
1,230	40	$575	27	$375	5	$500	(1)	5

West Coast Gas Average Outreach Costs

	2003	2004	2005 Utility Proposed Costs
Per Additions to Enrollment	$21.29	$75.00	$500.00
Per Total Residential	0.47	$ 029	$ 0.41

West Coast Gas states its belief that it has provided every CARE-eligible customer adequate opportunity to enroll in CARE through its outreach activities. West Coast Gas indicates that it offers CARE information to all new customers. West Coast Gas' CARE outreach program primarily consists of direct customer contact at the time of new service application. Also, the utility includes CARE information quarterly on its bills and has CARE information included on its "on-hold" message for customers.

The Energy Division recommends that West Coast Gas continue to provide CARE and Low-Income Energy Efficiency information to new customers and send quarterly notices to all its customers. . West Coast Gas' telephone outreach center addresses each of their 1,500 customer's concerns when they call for account information. In addition, the staff recommends that West Coast Gas create a follow-up program for those customers who drop out of the CARE program. Such a program could include special mailings as well as direct phone calls to the customer. The proposed $500 budget for these purposes appears adequate, and we will approve it.

8. Average Outreach Costs

In reviewing the average cost of enrolling each new customer into CARE, it appears that the costs can vary tremendously, and for some of the utilities, it can be fairly expensive. Utilities should use these average costs as a tool to measure whether or not their current outreach methodologies are adequate or if other methods should be evaluated to acquire new enrollees at a lower cost. The following table reflects the average CARE outreach costs for each SMJU, based on the SMJU's proposed budgets and proposed number of additions to CARE enrollment:

Utility Average CARE Outreach Costs Per Newly Enrolled Participant

Utility	Average 2003 Outreach Costs	Average 2004 Outreach Costs	PY 2005 Estimated Outreach Coasts
Alpine	N / A	$12.50	$25.00
Avista (*)	$65.31	$51.46	$482.50
PacifiCorp (*)	$53.31	$19.84	$26.56
Sierra (*)	$296.00	$61.11	$127.62
Bear Valley	(+)	(+)	$10.34
Southwest Gas	$213.17	$21.24	$44.10
West Coast Gas	$21.30	$75.00	$500.00

(*) Uses the Department of Community Service and Development for outreach and to certify new enrollees.

(+) Since Bear Valley is loosing enrollment, average outreach costs per newly enrolled can not be calculated.

D. Processing, Certification, Verification

CARE Processing, Certification, and Verification Expenditures

Utility	D.03-03-007 2003 Authorize Budget	2003 Actual	2004 Authorized Budget	2004 Actual	2005 Utility Proposed Budget	Increase (Decrease) in 2005 Proposed Budget Over 2004 Authorized	Increase (Decrease) in 2005 Proposed Budget Over 2004 Expected
Alpine	$1,579	$50	$1,579	$50	$100	($1,479)	$50
Avista (1)	$11,800	$6,865	$11,800	$11,800	$11,800	$0	$0
Pacific (1)	$32,500	$9,642	$32,500	$14,709	$12,000	($20,500)	($20,500)
Sierra (1)	$7,446	$7,509	$7,446	$8,330	$9,985	$2,539	$291
Bear Valley (2)	$850	$0	$850	$0	$0	($850)	$0
Southwest Gas	$20,402	$20,688	$20,402	$19,146	$29,600	$9,198	$9,198
West Coast	$1,500	$650	$1,500	$457	$1,000	($500)	$543
TOTAL		**$45,404**	**$76,077**	**$54,492**	**$64,485**	**($11,592)**	**($10,418)**

(1) The Department of Community Services and Development performs CARE processing, certification, and verification processes for these utilities.

(2) Bear Valley estimates that it spends approximately $5,000 on these activities but funds them out of base rates.

One of the two largest challenges faced by utilities with CARE is finding and enrolling CARE customers. The second is to retain every CARE-eligible household during the re-certification process that takes place every two years for each CARE customer.[9]

1. Alpine's Processing, Certification and Verification Processes

Alpine previously contracted with the Department of Community Services and Development to perform its CARE processing, certification and verification processes. Alpine now performs these services in-house and its costs are exceedingly low. Due to its small size, Alpine is exempt from conducting random post-enrollment verifications.[10]

Alpine's Average Processing, Certification and Verification Coasts

	2003	2004	2005 Utility Proposed Costs
Per Additions to Enrollment	N/A	$12.50	$25.00
Per Total Enrolled	$2.13	$1.85	$3.33

The Energy Division recommends that we approve the utility's proposed $100 budget. With a small number of CARE customers, the utility has proven it can handle the processing, certification and re-certification efficiently and within a reasonable budget, and we will approve it.

[9] Some of the utilities choose to recertify their customers annually, instead of biennially.

[10] See D.03-03-007, Ordering Paragraph 1.(b).

2. Avista's Processing, Certification and Verification Processes

To implement its CARE program, Avista currently refers customers to the Department of Community Services and Development which determines customer eligibility, processes applications and re-certifies customers. Avista entered into a contract with the Tahoe Branch of the County of El Dorado Community Service for certification and enrollment. The utility hired a part-time staff member to serve as the liaison between the utility, the community-based organization, and the CARE customers.

Avista checked its computer data in 2003 to identify customers that had dropped off of CARE. The utility trained its call center personnel to answer questions on re-certification. Avista says it contacted many of the customers that were identified and that many reapplied. Avista found that some had moved out of the area. It is not clear if Avista plans to perform this type of check in 2005.

The table below shows Avista's costs for conducting its processing, certification and verification.

Avista's Average Processing, Certification and Verification Coasts

	2003	2004	2005 Utility Proposed Costs
Per Additions to Enrollment	$25.71	$92.60	$305.56
Per Total Enrolled	$7.29	$11.23	$10.57

As noted in the outreach section, the Energy Division recommends that the Commission require Avista to add self-certification and self re-certification to its processes, in an attempt to reduce its costs, and more importantly, to reach those customers who do not enroll through the Department of Consumer Services and Development. Avista itself notes that its current approach works well for its CARE customers, but that Avista is concerned that its approach may not attract all of the CARE-eligible customers who might want to participate.[11] The Energy Division recommends that $500 be added to Avista's proposed budget of $11,800 for Processing, Certification and Verification Processes to accommodate self-certification. Southwest believes that it can operate the Avista program with the budget increases proposed by the Energy Division. It is reasonable to approve the budget as proposed by the Energy Division, which represents a continuation of the funding level for 2004 with a modest addition to support the start-up of a self-certification program.

3. PacifiCorp's Processing, Certification and Verification Processes

The Department of Consumer Services and Development certifies PacifiCorp's CARE applications and sends them to the utility on a weekly basis. Community-based organizations, under contract with the Department of Consumer Services and Development, help customers fill out the CARE application when they are filling out a Low Income Home Energy Assistance Program (LIHEAP) application.[12] PacifiCorp reports that it implemented a re-certification program in January 2004 that requires its CARE customers to recertify after participating in its CARE program for two years, as ordered by the Commission.[13]

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[11] See Avista's CARE Annual Report, dated July 30, 2003, p. 6.

[12] LIHEAP is a federally funded home energy assistance program that is similar to the Low-Income Energy Efficiency Program. LIHEAP is administered by the Department of Consumer Services and Development.

[13] See D.03-03-007, Ordering Paragraph 1(a).

PacifiCorp's Average Processing, Certification and Verification Coasts

	2003	2004	2005 Utility Proposed Costs
Per Additions to Enrollment	$9.19	$13.26	$37.59
Per Total Enrolled	$2.89	$3.31	$2.00

As noted in the outreach section, the Energy Division recommends that the Commission require PacifiCorp to add self-certification and self recertification to its processes, in an attempt to bring costs down, and most importantly, to reach those customers who do not process through the Department of Consumer Services and Development. The Energy Division recommends that $1,000 be added to PacifiCorp's proposed $12,000 Processing, Certification and Verification Processes budget to accommodate self-certification. Energy Division recommends a larger increase for PacifiCorp due to the larger size of its eligible population.

Since expenditures for these purposes is more a function of the number of existing CARE customers than an indication of the size of the pool of yet-to-be-enrolled customers, it is reasonable to approve PacifiCorp's proposed budget, which reflects its expenditures in 2004. We will also approve the additional $1,000 proposed by the Energy Division to assist with the startup of a self-certification program.

4. Sierra's Processing, Certification, and Verification Processes

In its CARE Annual Report to the Commission, on the period May 1, 2002 through April 30, 2003, Sierra reports that it entered into a full service contract with the Department of Consumer Services and Development. Its responsibilities include assessing eligibility of CARE applicants and conducting annual recertification. It verifies the qualifications of potential CARE enrollees and answers customers' concerns and questions on CARE from incoming telephone calls.

Sierra reports that the Department of Consumer Services and Development's first recertification review led to an initial decrease in enrollment. According to Sierra, the most common reasons a CARE customer was removed from the program during the recertification process were non-responses, incomplete applications, or the customer exceeded income requirements.

The following table shows Sierra's average cost of performing the processing, certification and verification efforts.

Sierra's Average Processing, Certification and Verification Coasts

	2003	2004	2005 Utility Proposed Costs
Per Additions to Enrollment	$101.47	$49.29	$120.30
Per Total Enrolled	$6.78	$6.52	$7.31

The Energy Division recommends that customers who are deemed a 'no-response' should be addressed with a follow-up call (s) as well as a secondary direct-mail notice from the utility. As noted in the outreach section, and with Avista and PacifiCorp, the Energy Division recommends that the Commission require Sierra to add self-certification and self re-certification programs, in an attempt to bring costs down, and most importantly, to reach those customers who do not enroll through the Department of Consumer Services and Development. The Energy Division recommends that $500 be added to the proposed $9,985 budget for Sierra's Processing, Certification and Verification Processes to accommodate self-certification.

Sierra's proposed budget is reasonable in that it is consistent with actual expenditures in 2004. We will also approve the Energy Division's proposed $500 augmentation to support self-certification startup.

5. Bear Valley's Processing, Certification and Verification Processes

Bear Valley handles Processing, certification and verification in-house. The company received 532 applications received during Bear Valley's last report period and approved 389.[14] Energy Division recommends a follow-up program to reconsider qualification for the applications that it rejected.

Bear Valley estimates that it incurs approximately $5,000 in expenses for processing, certification, and verification costs, but recovers this in base rates. Bear Valley does not request any surcharge funds be allocated for these functions.

6. Southwest Gas' Processing, Certification and Verification Processes

Southwest Gas processes CARE applications and performs certification and verification in-house. For certification, Southwest reviews applications for completeness, conformance with income parameters, and compares the information with their customer service systems' customers of record. For verification, Southwest Gas reviews the application for income eligibility, requests proof of eligibility, performs repeated contacts for additional information, and conducts random sampling for income documentation. Southwest Gas recertifies each CARE customer biennially.

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[14] For the period July 1, 2003 through June 30, 2004, as reported in their CARE Annual Report submitted on October 20, 2004 and revised on March 1, 2005.

The following table shows the average costs for Southwest Gas to perform these functions.

Southwest Gas' Average Processing, Certification and Verification Coasts

	2003	2004	2005 Utility Proposed Costs
Per Additions to Enrollment	$51.39	$6.88	$16.82
Per Total Enrolled	$0.96	$0.78	$1.17

As shown in the table, and compared with other utilities' average costs, Southwest Gas' budget is reasonable, especially considering that it serves two distinct and separate service areas. Thus, we will approve Southwest Gas' proposed $29,600 budget. In addition, the Energy Division recommends that Southwest Gas be required to implement repeated mailings and an automated calling system for those who fail to send in their recertification forms. Follow-up of this nature is an important strategy for retaining qualified customers, and we shall direct Southwest to do so.

7. West Coast Gas' Processing, Certification and Verification Processes

West Coast Gas also performs all processing, certification and verification in-house. West Coast Gas states it has a single, direct customer contact to certify and re-certify its CARE customers. West Coast Gas is exempt from performing random post-enrollment verification.[15]

West Coast Gas' Average Processing, Certification and Verification Coasts

	2003	2004	2005 Utility Proposed Costs
Per Additions to Enrollment	$24.07	$91.40	$1,000.00
Per Total Enrolled	$16.25	$10.13	$22.73

15 See D.03-03-007, OP 1.(b).

West Coast seeks authorization to spend up to $1,000 on these activities in 2005. West Coast Gas has the highest average costs of all the utilities, including those who contract with the Department of Consumer Services and Development. This is not surprising, since West Coast serves so few customers. In the last two years, West Coast Gas did not spend as much as it is requesting in its budget for 2005.

The Energy Division recommends that the Commission approve a CARE Processing, Certification and Verification budget of $500 for West Coast Gas for 2005. There is no need to make such a fine cut to the company's proposed budget. Last year, it spent less than $500 for these purposes, but in at least one past year, it spent $650. In addition, the Energy Division recommends that West Coast Gas be required to implement a re-certification follow-up program for those customers who drop off of CARE, if it has not already done so. Such a program could include special direct mailings as well as direct phone calls to the customer. This would add cost for the company. For these reasons, we reject the Energy Division proposal and adopt the company's budget, as proposed.

The following table reflects the adopted budgets for the SMJU's processing, certification and verification activities for 2005.

PY 2005 CARE Processing/ Certification/ Verification Budget						
	Utility Proposed			Adopted		
Utility	Processing/ Certification/ Verification Budget	12/31/05 Enrollment Target	2005 CARE Additions	Processing/ Certification/ Verification Budget	12/31/05 Enrollment Target	2005 CARE Additions
Alpine	$100	31	4	$100	30	4
Avista (1)	$11,800	1,111	39	$12,300	1,180	103
PacifiCorp (1)	$12,000	6,026	1,581	$13,000	10,902	6,482
Sierra (1)	$9,985	1,360	83	$10,485	1,725	458
Bear Val.	$0	1,664	105	$0	1,624	65
Southwest	$29,600	26,175	1,760	$29,600	27,866	3,451
West Coast	$1,000	45	0	$1,000	50	5
Total	**$64,485**	**36,412**	**3,572**	**66,485**	**43,377**	**10,558**

E. CARE General Expenditures

The following table outlines actual and proposed general expenditures as reported by the utilities.

CARE General Expenditures

Utility	2003 Authorized Budget Per D.03-03-007	2003 Actual	2004 Authorized Budget Per D.03-03-007	2004 Actual	2005 Utility Proposed Budget	Increase (Decrease) in 2005 Proposed Budget Over 2004 Expected	Increase (Decrease) in 2005 Proposed Budget Over 2004 Authorized
Alpine (1)	$1,339	$0	$1,339	$0	$0	$0	($1,339)
Avista	$5,500	$7,678	$5,500	$5,776	$15,500	$10,000	$10,000
PacifiCorp	$2,500	$6,622	$2,500	$6,755	$8,000	$0	$5,000
Sierra	$0	$0	$0	$0	$0	$0	$0
Bear Valley	$0	$0	$0	$0	$0	$0	$0
Southwest Gas	$5,100	$5,196	$5,100	$16,370	$74,000	$68,900	$68,900
West Coast Gas	$1,100	$706	$1,100	$875	$1,000	($100)	$125
TOTAL	$15,539	$20,202	$15,539	$29,776	$98,500	$78,800	$83,186

(1) Alpine indicates this cost category is subsumed in the GRC.
(2) Sierra estimates $14,100 is subsumed in the GRC.

As shown in the table above, Alpine, Sierra and Bear Valley do not request surcharge recovery for any General Expenses related to CARE. Therefore, we do not address General Expenses for these utilities.

The Energy Division recognizes there are increased reporting requirements this year for the SMJUs that could cause a rise in the General Expense category and notes that all the utilities that are requesting surcharge recovery for this expense category propose an increase. The changes in reporting requirements for CARE are not extensive. The increase in reporting requirements for the Low-Income Energy Efficiency Program is more substantial than that for CARE.

With the exception of the budget for Southwest Gas, the proposed increases proposed are slight and therefore appear reasonable. We will adopt the proposed budget for General Expenses for Avista, PacifiCorp and West Coast Gas.

Southwest Gas proposes increasing its general expense budget from the $5,100 authorized for last year, to $74,000 for this year. In its application, and subsequent filings, Southwest Gas did not demonstrate that such a substantial increase is warranted. In its data response to the Office or Ratepayer Advocates, Southwest Gas indicated that only $25,000-$34,000 of increased reporting costs would be incurred for both the Low-Income Energy Efficiency Program and CARE due to the change in reporting requirements.[16] Therefore, Energy Division recommends that only $17,600 be approved as a budget for CARE General Expenses for 2005 for Southwest Gas. This assumes that half of what Southwest Gas estimated the increase in reporting requirements would cost would be attributable to CARE. In light of the limited record on this point, the Energy Division proposal appears reasonable, and we will adopt it.

1. Comparison of CARE General Expense Proposals and Adopted

PY 2005 CARE General Budget						
	Utility Proposed			Adopted		
Utility	CARE General Budget	12/31/05 Enrollment Target	2005 CARE Additions	CARE General Budget	12/31/05 Enrollment Target	2005 CARE Additions
Avista	$15,500	1,111	39	$15,500	1,180	103
PacifiCorp	$8,000	6,026	1,581	$8,000	10,902	6,482
Southwest	$74,000	26,175	1,760	$17,600	27,866	3,451
West C.	$1,000	45	0	$1,000	50	5
Total	**$98,500**	**33,357**	**3,380**	**$42,100**	**39,998**	**10,041**

[16] See the Reply to the Response by Southwest Gas Corporation to the Response of the Office of Ratepayer Advocates to the Application of Southwest Gas Corporation for the Approval of Program Year 2005 Low-Income Assistance Budgets, dated August 20, 2004.

(1) Alpine, Sierra, and Bear Valley do not request surcharge recovery for general expenses related to the deployment of CARE.

2. Cumulative CARE Discount

CARE is needs-based and the utilities are allowed to recover 100% of the discount to the CARE participants. While it is difficult to estimate the total discount because the actual cost will depend on how many customers participate in CARE and their energy usage, the utilities estimate the total each year for comparison with administrative budgets and for developing the surcharge. The following table shows the discount provided in 2003 and estimated by the utilities for 2004 and 2005. The Energy Division does not dispute the utilities' estimates.

Estimated Discount Provided to CARE Customers

Utility	2003 Discount	2004 Discount	2005 Estimated Discount
Alpine	$2,320	$3,442	$4,290
Avista	$112,580	$149,388	$185,101
PacifiCorp	$466,927	$776,588	$715,046
Sierra	$129,274	$180,248	$225,935
Bear Valley	$103,093	$149,291	$154,000
Southwest Gas	$1,555,000	$2,804,621	$3,756,690
West Coast Gas	$1,683	$4,290	$6,000
Total	**$2,370,877**	**$4,067,868**	**$5,047,062**

IV. The Low-Income Energy Efficiency Programs

The utilities' Low-Income Energy Efficiency programs provide weatherization retrofit and appliance replacement for qualifying low-income customers, with the concurrent objectives of improving overall efficiency, reducing customer costs, and increasing comfort. The services and appliance upgrades are provided at no cost to the customer.

In 2003, the Commission ordered each utility to implement one-way balancing accounts for its Low-Income Energy Efficiency programs with under-expenditures (amounts less than the authorized budgets) in any given year to be carried over to augment the next year's program budget. However, there is to be no ratepayer recovery for expenditures exceeding the authorized budgets and carryover funds.[17]

The large utilities require that all Low-Income Energy Efficiency program participants are enrolled in CARE. Any smaller or multi-jurisdictional utility that has not implemented this policy shall do so.

In R.04-01-006, the four large energy utilities are participating in an assessment of potential changes to the list of measures eligible to be offered through the program . Any measures added to the large utilities' programs shall also be added to the SMJU's programs. By the same token, any measures that are discontinued for the large energy utilities shall also be discontinued for the SMJUs.

A. Alpine

The Commission, in D.03-03-007, authorized Alpine to refer its Low-Income Energy Efficiency program to the Pacific Gas and Electric Company's (PG&E), to be served by PG&E's administrative contractor, Richard Heath and Associates (Heath). On December 31, 2003, Alpine entered into an agreement with Heath to provide energy efficiency services for Alpine.

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[17] See D.03-03-007, p. 40 and OP 11.

Heath developed and implemented a program offering education, gas appliance safety testing, weatherization measures, minor home repair and furnace repair and replacement for eligible Alpine customers under Alpine's program. As part of the program with Alpine, Heath also provided pre-weatherization assessments, installation of weatherization measures, and post-weatherization inspections. Where the Alpine and PG&E territories overlap, Heath also provides electric measures on PG&E's behalf, so that the integration of the programs of the two utilities reduces program costs and increases weatherization program efficiency.

Although Alpine's 23 low-income CARE customers were referred to Heath in 2004, as eligible for program participation, nine customers either did not qualify or refused participation in Alpine's. The following table displays the results of Low-Income Energy Efficiency program outreach to the 23 CARE customers.

Outreach Result	Number of Customers
Successfully Treated	14
Customer Refusal of Program	2
Income Disqualification	2
Home Vacant	1
Customer Unreachable	3
Customer Refusal of Gas Measures	1
Total	**23**

According to Alpine, the methodology used for outreach included contacting customers first by sending a letter explaining the program, then follow-up occurred with a minimum of eight telephone calls at various times during the week, and the final attempt was a 'cold call' visit to the customer's home. The Energy Division finds that Alpine's efforts in contacting its hard-to-reach low-income customers are exemplary.

B. Avista

Avista reports that it contracts with Project Go to implement its Low-Income Energy Efficiency program, and with Sierra Pacific to provide electric energy efficiency measures to its customers. Avista states that its Low-Income Energy Efficiency program has moved closer and closer to a "set point" due to construction and growth restrictions in the South Lake Tahoe area, as well as the City of South Lake Tahoe's housing rehabilitation program.

It is not clear what this statement implies, although Avista apparently offers this comment in support of maintaining program funding at the existing level. Avista states that it expects to treat and weatherize approximately the same number of homes as it has in the past. Avista's Low-Income Energy Efficiency program generally runs from August through November and not during winter months due to severe weather conditions.

C. PacifiCorp

PacifiCorp states that since the establishment of its Low-Income Energy Efficiency program in 1986, it has weatherized over 1,750 homes. PacifiCorp reports that it works with local non-profit organizations including the Del Norte County Senior Center in Crescent City, and the Great Northern Corporation in Weed to implement its program. PacifiCorp reimburses these agencies 50% of the cost of services, with an additional 15% to cover agency administrative expenses. PacifiCorp believes this method has been the most efficient in increasing enrollment.

PacifiCorp provides its qualified low-income residential electric customers with measures that include insulation and replacement windows (for dwellings with electric heating systems), showerheads for those with electric water heating, energy efficient refrigerators, and compact fluorescent lamps. PacifiCorp states that outreach activities remain challenging due to the rural and diverse nature of its service territory. PacifiCorp estimates that 40% of the eligible homes in its service area have been weatherized through its Low-Income Energy Efficiency program.

Pursuant to both D.03-03-007 and D.03-12-016, PacifiCorp was to establish an energy efficiency education program.[18] It set aside $9,891 for this purpose in 2003 and $1,000 in 2004. In addition, it was to apply some or all of the carryover resulting from under-expenditures from prior years to this effort.

On February 2, 2004, PacifiCorp submitted a letter to the Commission indicating that the non-profit agencies that deploy its Low-Income Energy Efficiency program provide participants with one-on-one energy education. PacifiCorp notes that these agencies are not reimbursed separately for these services. Finally, PacifiCorp points out that it provides its Bright Ideas energy information booklets to the agencies to distribute to participants, as well. The Energy Division recommends that the Commission find that PacifiCorp is meeting the requirement to provide energy efficiency education to its Low-Income Energy Efficiency program participants. This process does appear to provide the opportunity to inform consumers about energy efficiency opportunities. In the next proceeding establishing goals and a budget for PacifiCorp, we ask the Energy Division to provide a more detailed assessment of effectiveness of these efforts. For now, we find the existing educational efforts to be sufficient.

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[18] See D.03-12-016, p. 18 and OP 5.

D. Sierra Pacific

Sierra Pacific began contracting with Heath in 2004 to provide program services such as outreach and assessment, scheduling, installation, education and reporting of program results. Sierra Pacific expected to enter into a contract with Heath for 2005, as well. Sierra states it focuses on high density, low-income areas that also include low-income senior citizens complexes.

Among other measures, Sierra's Low-Income Energy Efficiency customers currently receive weatherization services (if the home is electrically heated), refrigerators, energy efficient lighting fixtures, compact fluorescent lights, evaporative coolers, and wall/window air conditioning. Sierra Pacific provides and funds measures related to electric service, while Avista and Southwest Gas offer measures related to gas service.

Sierra allocated a portion of its SB5 funds to a geothermal exchange (heat pump) pilot program. Pursuant to D.03-03-007, Sierra is to provide a specific cost breakdown within the measures category of the program and collect relevant information for the Commission's review of the pilot. The Energy Division has reviewed expenditure information for this project, but has not reviewed any other information about this pilot.

The Energy Division recommends that we require Sierra to submit a report to the Commission on the results of its pilot. The report would include, but not be limited to, energy and bill savings from the measure, along with a cost-benefit analysis, as well as consideration of non-energy benefits, such as the comfort and safety of the home that received this measure. The report would also include recommendations on whether or not this measure should be considered for inclusion in the Low-Income Energy Efficiency program. Sierra states that it intends to submit a report, and requests that it be allowed to do so at the end of

2005. We direct Sierra Pacific to provide such a report no later than December 30, 2005.

E. Bear Valley

Bear Valley began its Low-Income Energy Efficiency program efforts in 2002. The company provides qualifying customers with refrigerators; compact fluorescent lighting; electric water heater insulation, pipe wrap, low-flow showerheads, and faucet aerators for homes with electric water heating; and insulation, weather-stripping, caulking and minor envelope repair for electrically-heated homes.

Bear Valley indicates that it conducts the majority of its Low-Income Energy Efficiency program activity in the Summer/Fall months. Bear Valley works with the Community Action Partnership of San Bernardino, which offers Low Income Home Energy Assistance Program services in Bear Valley's area and Heath which identifies eligible customers, assesses their energy efficiency needs, and installs appropriate measures. In coordination with Southwest Gas, the natural gas provider within Bear Valley's service territory, Bear Valley assists in providing a comprehensive program to eligible customers.

F. Southwest Gas

Southwest Gas reports that it plans to continue its contract with Heath and the Community Action Partnership of San Bernardino (formerly known as the San Bernardino County - Community Services Department) in 2005 to provide program services to customers. These services include outreach and assessment, scheduling, installation of efficiency measures, education and the reporting of program results.

Southwest Gas also works with electric utilities whose service territories overlap with Southwest Gas to implement its low-income programs. These utilities include Sierra Pacific in the northern California region, and Bear Valley and Southern California Edison Company in southern California.

G. West Coast

West Coast Gas currently does not have a Low-Income Energy Efficiency program. Its residential housing stock is new and all homes and major gas consuming appliances meet current California energy efficiency standards. Further, West Coast Gas points out, that in 2003, 80% of its customers consumed gas at the Baseline rate level.

West Coast Gas asserts that all natural gas Low-Income Energy Efficiency program efforts in its service territory beyond offering energy efficiency information materials would not be cost-effective at this time. West Coast Gas requests that no funds be budgeted for Low-Income Energy Efficiency. West Coast Gas indicates that it will refer any CARE customer requesting Low-Income Energy Efficiency services to a local Sacramento County Agency. In D.03-03-007, the Commission ordered West Coast Gas to establish this referral program.

The Energy Division agrees with West Coast Gas that natural gas Low-Income Energy Efficiency efforts, beyond providing energy efficiency information materials, would not be cost-effective at this time. Due to the unique situation of West Coast Gas, Energy Division recommends that the utility continue to keep the Commission apprised of housing stock and the residential gas appliances in its area through its annual reports and any applications regarding the low-income programs. In addition, Energy Division recommends that West Coast Gas continue to refer CARE customers to a local County Agency for energy efficiency information and programs. We agree that due to the recent vintage of the homes served by West Coast, it would not be prudent to institute a more elaborate Low-Income Energy Efficiency program at this time.

H. Low-Income Energy Efficiency Program Goals

In D.03-03-007, the Commission defined "treated homes" as residences that receive Low-Income Energy Efficiency measures or energy education services, and the subset of those treated homes that receive weatherization measures as "weatherized homes." Not all homes in the program receive weatherization measure through the program because it may not be feasible to install weatherized measures, or because a home is already weatherized. The following table shows the number of homes treated and weatherized annually as reported by the SMJUs, as well as the utilities' proposed goals for 2005.

Low-Income Energy Efficiency Program Treated (T) and Weatherized (W) Homes										
Utility	**2003 Authorized In D.03-12-016**		**2003 Actual**		**2004 Authorized In D.03-12-016**		**2004 Actual**		**2005 Utility Proposed**	
	T	**W**	**T**	**W**	**T**	**W**	**T**	**W**	**T**	**W**
Alpine	N/A	N/A	N/A	N/A	20	20	14	14	16	16
Avista	80	80	83	83	80	80	69	69	90	90
PacifiCorp	50	198	92	92	98	98	15	13	70	70
Sierra	N/A	175	160	151	250	145	119	28	119	28
Bear Valley	580	N/P	N/A	N/A	410	82	68	2	85	17
Southwest	1,242	852	760	516	586	415	844	621	550	400
Totals	**1952**	**1305**	**1,485**	**1,015**	**1,444**	**840**	**1,129**	**747**	**1,061**	**731**

Sierra Pacific expressed concern that it would not reach its 2004 program goals as established in D.03-12-016 due to changes in the low income qualifications, the SBX1 5 funds reversion, difficulty in conducting targeted outreach, and mandated policy and procedure changes. Sierra reported plans to meet with Heath in August and September to discuss 2004 and 2005 program expectations. Sierra requests it be allowed to submit 2004 and 2005 goals after convening with Heath.

Based on the goals proposed by the utilities, it appears that the utilities intend to treat and weatherize approximately the same number of homes in 2005 as they did in 2004, although not at the same level as when they had SB5 funds.

For the large energy utilities, the Commission ordered that program expenditures and goals should continue at the level when SB5 funds were available. However, due to their limited resources and in some cases limited number of customers, the Energy Division recommends that the Commission adopt SMJU's proposed goals for Low-Income Energy Efficiency implementation as proposed.

I. Low-Income Energy Efficiency Program Budgets and Expenditures

In some cases, the SMJU's 2004 budgets included both Senate Bill X1 5 funds and ratepayer funds.[19] In D.03-12-016, the Commission acknowledged the possibility that unused SB 5 funds could revert to the State's General Fund, stating that if all or part of the SB 5 funds were rescinded, the utilities could file emergency applications to modify their adopted programs or budgets to continue their Low-Income Energy Efficiency programs at a reasonable level. (D.03-12-016, Ordering Paragraph ("OP") 3.)

In early 2004, unspent SB 5 funds reverted to the State's General Fund and were no longer available to the utilities for their programs. However, none of the SMJUs filed applications to change or modify their Low-Income Energy Efficiency program budgets to reduce the budget levels or recover SB 5 funds through rates. Instead, it appears that many of the SMJUs just did not spend the portion of their budget that consisted of allocated SB 5 funds. Although these

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[19] In 2001 the Legislature passed Senate Bill X1 5 ("SB 5") which provided one-time appropriations to supplement funding of CARE and Low-Income Energy Efficiency for the large energy utilities and Small Multi-Jurisdictional energy utilities. In D.01-05-033, the Commission directed the Energy Division to develop recommendations concerning the allocation of $5 million in SB 5 Low-Income Energy Efficiency funding set-aside for the SMJU's

Footnote continued on next page

funds reverted to the General Fund, the Energy Division considers the difference between the total budgets (including the rescinded SB 5 money) and the 2004 expenditures (spent at reduced level because of the reverted SB 5 funds) to be "under-expenditures" that should be carried forward to future years. Because the Energy Division considers these under-expenditures for PY 2003 and 2004 "excessive", it recommends that the balances be amortized over ensuing years.

The Office of Ratepayer Advocates (ORA) does not agree that the Commission should consider as under-expenditures that should be carried over to future years those amounts that were funded with SB 5 funds but that were not spent because the funds reverted to the General Fund. ORA agrees that the SMJUs should have followed Commission direction and filed emergency applications to amend their budgets. However, ORA does not agree that the appropriate action is to amortize these "under-expenditures" to future SMJU Low-Income Energy Efficiency budgets. The Commission set the SMJU's 2003 and 2004 budgets higher than normal because of the existence of the SB 5 funds. ORA argues that the Commission would not have set the budgets at the levels it did if there were no SB 5 funds. Therefore, ORA does not agree that the ratepayers should have to fund a carry-forward of these amounts.

We agree with ORA that, in light of the smaller size and reduced program budgets for these utilities as opposed to the larger companies whose funding we addressed in D.05-04-052, we should set the 2005 and future budgets at levels that are appropriate for the individual utilities based on existing circumstances. Moreover, because we do not know the amount of "under-expenditure" that is

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as well as for the SB 5 supplemental CARE funds. These funds were distributed among the SMJUs in Commission decisions issued during 2003.

attributable to reverted SB 5 funds or the amortization period over which the "under-expenditures" would be allocated, it is unclear how amortization of these amounts would affect ratepayers. For these reasons, we will not adopt the Energy Division's carryover proposal.

Difference Between 2005 Utility Proposed Low-Income Energy Efficiency Program Budgets and Those Proposed and Authorized for 2004

	2005 Utility Proposed	Increase (Decrease) in 2005 Proposed Over 2004 Spent	Increase (Decrease) in 2005 Proposed Over 2004 Authorized
Alpine			
Outreach	$500	N/A	$500
Inspections	$2,500	N/A	$2,500
General	$10,903	N/A	$10,903
Subtotal Admin	$13,903	N/A	$13,903
Weatherization	$5,000	N/A	$5,000
Measures	$5,000	N/A	$5,000
Energy Education	$3,000	N/A	$3,000
Subtotal Program	$13,000	N/A	$13,000
Total Program	$26,903	$1,903	$1,903
Avista			
Outreach	$2,000	($2,595)	$0
Inspections	$1,500	($983)	($1,500)
General	$5,708	($8,746)	($12,819)
Subtotal Admin	$9,208	($12,324)	($14,319)
Weatherization	$67,972	$8,875	$38,706
Measures	$0	$0	($123,187)
Energy Education	$4,800	$106	$0
Subtotal Program	$72,772	$8,981	($84,481)
Total Program	$81,980	($3,343)	($98,800)
Bear Valley			
Outreach	$2,500	$2,353	$0
Inspections	$1,500	$1,500	$1,500
General	$12,250	$4,875	$6,853
Subtotal Admin	$16,250	$8,707	$8,353
Weatherization	$825	$719	($3,972)
Measures	$63,000	$26,240	($283,788)
Energy Education	$2,750	$846	($9,550)

Subtotal Program	$66,575	$27,805	($297,310)
Total Program	$82,825	$36,533	($288,957)

	2005 Utility Proposed	Increase (Decrease) in 2005 Proposed Over 2004 Spent	Increase (Decrease) in 2005 Proposed Over 2004 Authorized
PacifiCorp			
Outreach	$0	$0	($685)
Inspections	$4,000	($814)	($4,000)
General	$23,000	($4,433)	($9,950)
Subtotal Admin	$27,000	($5,247)	($14,635)
Weatherization	$90,000	$19,260	$65,500
Measures	$0	$0	($134,000)
Energy Education	$0	$0	($1,000)
Subtotal Program	$90,000	$19,260	($69,500)
Total Program	$117,000	$14,013	($84,135)
Sierra Pacific			
Outreach	$2,000	($3,415)	($23,000)
Inspections	$1,000	($1,428)	($2,000)
General	$20,000	($3,292)	$20,000
Subtotal Admin	$23,000	($8,135)	($5,000)
Weatherization	$73,000	$52,703	($30,583)
Measures	$0	$(50,644)	($94,834)
Energy Education	$4,000	$962	($69,583)
Subtotal Program	$77,000	$3,021	($195,000)
Total Program	$100,000	($5,112)	($200,000)
Southwest Gas			
Outreach	$20,000	$15,736	$0
Inspections	$30,000	$4,714	$15,000
General	$168,000	$86,550	($33,200)
Subtotal Admin	$218,000	$107,000	($18,200)
Weatherization	$465,000	($60,661)	$145,640
Measures	$145,000	$41,213	($196,160)
Energy Education	$32,000	($1,363)	($7,840)
Subtotal Program	$642,000	($42,576)	($58,360)
Total Program	$860,000	$64,424	($76,560)

The Energy Division recommends that the utilities' 2005 proposed budgets be adopted. We concur with the Energy Division recommendation and will adopt the Low-Income Energy Efficiency program budgets as proposed. In order to move these programs in any new directions, we first must receive the results of the Needs Assessment Study. For now, it makes sense to continue the programs as they are currently designed, and encourage the utilities to expend all of the available funds in a prudent manner.

V. Reasonableness Review and Audit

The CARE and Low-Income Energy Efficiency budgets adopted in this decision are subject to reasonableness review and audit.

VI. Accounting and Reporting Requirements

As required in D.03-03-007, Ordering Paragraph 13, the Energy Division facilitated a workshop on June 23, 2003, to discuss accounting and reporting issues related to CARE and Low-Income Energy Efficiency. The Energy Division issued a workshop report on October 27, 2003. After reviewing the workshop report, the Assigned Commissioner issued a ruling, dated December 3, 2003, calling for further discussions on accounting and reporting standards and ordering that a second workshop be conducted.

The subsequent workshop was split into two meetings, held on February 23 and March 5, 2004. On April 5, 2004, the Energy Division submitted its second workshop report[20], in which it recommended accounting and reporting requirements for the SMJU's CARE and Low-Income Energy Efficiency

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[20] Energy Division's second report was entitled "Final Energy Division Workshop Report On The Review Of Accounting And Reporting Requirements For The California Alternate Rate For Energy (CARE) And Low-Income Energy Efficiency (LIEE) Programs Of The Small And Multi-Jurisdictional Utilities (SMJU)."

programs. Comments on Energy Division's second report were due April 19, 2004, with replies due on April 26, 2004.

In the December 3, 2003 ruling, Assigned Commissioner Wood clarified that the SMJUs were to proceed under then-current reporting and accounting requirements until the Commission could consider the Energy Division's recommendations.

In the Scoping Memo issued on June 24, 2004, in R.04-01-066, the Assigned Commissioner and Administrative Law Judge indicated that Energy Division's recommendations contained in Energy Division's August 5th report were approved and that the SMJUs should begin providing the information required by that report beginning on August 1, 2004.[21]

In its 2004 Annual CARE Report, submitted on July 30, 2004, Southwest Gas argued that the Scoping Memo did not contain any express language to change the ordering paragraphs of D.90-07-062, D.94-12-049 and D.95-10-047. Those decisions require the SMJUs to submit an Annual CARE Progress Report, with a prescribed format, on August 1 of each year.

The Energy Division recommends that the Commission clarify that, in lieu of providing the CARE Annual Reports submitted pursuant to D.90-07-062, D.94-12-049 and D.95-10-047, the SMJUs shall submit all the reports recommended in the Energy Division's April 5th report and for those reports the SMJU shall use the format and tables attached to Energy Division' April 5th report. None of the utilities objects to this proposal, and we shall adopt it.

[21] See page 6 of the Scoping Memo.

VII. Future Budget Applications

In D.05-04-052, the Commission directed the larger energy utilities to adopt a two-year program cycle. Under such a regime, the utilities would receive CARE and Low-Income Energy Efficiency budget approval for two-year blocks of time, rather than being required to reapply for such approval each year. The Commission ordered the utilities to file applications for 2006-07 funding no later than June 1, 2005. The utilities are required to separate their budgets and program goals for each year and participate in workshops to develop other application and reporting requirements. The Commission directed the utilities to schedule and conduct the workshops well before their applications are due and invite the Low-Income Oversight Board members, the Energy Division, and the public to attend the workshops. If the utilities have not done so by 60 days before the date their applications are due, ORA is directed to send an inquiry to the assigned ALJ for this proceeding referencing the workshop requirement. The parties, ORA and the Energy Division may opt to proceed without the workshop(s), but all must agree.

In its comments on the Energy Division Report, Southwest Gas requested that the level of funding adopted in this decision be extended to program year 2006, and that the utility's next application for CARE and Low-Income Energy Efficiency funding be filed July 1, 2006 for program years 2007 and 2008. We continue to believe that a two-year program cycle makes more sense, at this point in the development of the programs, than does the existing annual program cycle, and are persuaded by the utilities' joint comments on the draft decision that it is important to retain the calendar-year approach for funding these programs. This will best support seasonal program activities, as well as program coordination among the utilities.

In addition, the completion of pending work before the Standardization Team may result in expansion of Low-Income Energy Efficiency measure offerings. Finally, we are hopeful that the Low-Income Oversight Board will be offering suggestions for long-term program development that may affect the details of individual utilities' budgets and plans. We want to maximize the SMJUs' ability to take these new developments into account before planning their programs for 2006 and beyond.

At the same time, the schedule inherent in this decision does not support a June 2005 filing date for the SMJUs. In order to set a more reasonable schedule for developing new budget proposals, we will extend the budgets and targets set forth in this order to January 1, 2007. These budgets will remain in effect until further Commission order. We will continue to monitor progress in reaching penetration targets and expect the utilities to be aggressive in pursuing and exceeding the goals we have established. We also expect the utilities to comply fully with all reporting requirements. We will require that the SMJUs file new applications no later than June 1, 2006, for budget years 2007 and 2008. We also direct the SMJUs to participate in the application and reporting requirement workshops discussed above.

VIII. Assignment of Proceeding

Dian Grueneich is the Assigned Commissioner and Steven Weissman is the assigned ALJ in this proceeding.

IX. Comments on Draft Decision

The draft decision of the ALJ in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Rules of Practice and Procedure. Joint comments were filed by the applicant utilities on July 11, 2005. These comments are discussed above.

Findings of Fact

1. PacifiCorp and Sierra need to step-up their outreach and enrollment practices to increase their CARE penetration rates.

2. Until the Energy Division can refine the estimate of eligible customers, or the results of the Needs Assessment Study become available, the adoption of Alpine's proposed CARE penetration Benchmark and enrollment target should be approved.

3. It is reasonable to require Avista to achieve a net increase of 103 CARE customers in 2005.

4. While PacifiCorp has demonstrated that it has increased its efforts within the past two years to enroll CARE customers (with some apparent success), it has not demonstrated that it has exhausted its potential to maximize enrollment.

5. Because Sierra has not been successful in achieving a participation level comparable to most other California utilities, it is reasonable to direct the company to pursue a 70% CARE participation target and encourage Sierra to apply extra effort to reach this goal in the remainder of 2005.

6. It is reasonable for Bear Valley to pursue a penetration rate benchmark of at least 79% for 2005, which would achieve a total enrollment of 1,624 CARE customers.

7. It is reasonable to adopt an 85% benchmark for Southwest Gas' 2005 penetration with a target of 27,866 enrolled.

8. West Coast Gas can pursue a target enrollment of 50 for 2005, a net increase of 5 from the company's estimated participants at December 31, 2004.

9. With its proposed outreach budget, plus $50, Alpine should be able to achieve its targets with reasonable expenditures.

10. It makes sense to expand CARE enrollment options by requiring the SMJUs to commence self-certification efforts.

11. Avista's proposed CARE outreach budget is reasonable.

12. PacifiCorp's proposed CARE outreach budget is appropriate in light of the significant challenges PacifiCorp is likely to face in pursuing our approved participation target.

13. Sierra Pacific needs $14,000 for CARE outreach activities in 2005.

14. In order to encourage the utility to continue pushing for a higher level of participation, Bear Valley should allocate $3,000 to CARE outreach activities in 2005.

15. Southwest Gas' proposed CARE outreach budget of $77,600 is reasonable, given the large and diverse base of residential customers in its two distinct and separate service areas.

16. West Coast Gas' proposed $500 budget for CARE outreach activities appears adequate.

17. With the addition of modest amounts for Sierra Pacific and PacifiCorp to establish self-certification process, the proposed budgets for processing, certification, and verification of CARE applications are reasonable.

18. The proposed CARE general expense budgets for Avista, PacifiCorp, and West Coast Gas are reasonable. It is reasonable for Southwest Gas to spend $17,600 for this purpose in 2005.

19. The utilities' CARE discount estimates appear reasonable when compared to experiences in 2003 and 2004.

20. The utilities' proposed Low-Income Energy Efficiency Program budgets for 2005 are reasonable.

Conclusions of Law

1. The Commission should adopt CARE budgets as set forth in the Findings of Fact.

2. The Commission should adopt Low-Income Energy Efficiency Program budgets as proposed.

3. The utilities should recover in rates a level of funding commensurate with the authorizations in this decision.

O R D E R

IT IS ORDERED that:

1. The 2005 California Alternative Rates for Energy and Low-Income Energy Efficiency Program budgets for Alpine Natural Gas Operating Company, Avista Corporation, PacifiCorp, Sierra Pacific Power Company, Bear Valley Electric Service, Southwest Gas Corporation, and West Coast Gas Company shall be as follows:

Summary of Adopted CARE Budgets

Utility	Outreach	Processing	General	Subsidy	Total
Alpine	$150	$100	$0	$4,290	**$4,540**
Avista	$18,800	$12,300	$15,500	$185,101	**$231,701**
PacifiCorp	$42,000	$13,000	$8,000	$715,046	**$778,046**
Sierra	$14,000	$10,485	$0	$225,935	**$250,420**
BVES	$3,000	$0	$0	$154,000	**$157,000**
SWG	$77,600	$29,600	$17,600	$3,756,690	**$3,881,490**
WCG	$500	$1,00	$1,000	$6,000	**$8,500**
TOTAL	**$156,050**	**$66,485**	**$42,100**	**$5,047,062**	**$5,311,697**

2005 Utility Low-Income Energy Efficiency Program Budgets Proposed and Adopted	
Alpine	**$ 26,903**
Avista	**$ 81,980**
Bear Valley	**$ 82,825**
PacifiCorp	**$117,000**
Sierra Pacific	**$100,000**
Southwest Gas	**$860,000**

2. PacifiCorp and Sierra shall add self-certification to their enrollment processes.

3. Southwest Gas shall add self-certification to the enrollment processes for the formerly Avista service area.

4. Unspent funds related to former LIEE budget authorizations that were to be funded by monies appropriated by Senate Bill 5 from the First Extraordinary Session of 2001 shall not be carried forward.

5. In lieu of providing the CARE Annual Reports submitted pursuant to D.90-07-062, D.94-12-049, and D.95-10-047, the small or multi-jurisdictional investor-owned energy utilities doing business in California (SMJUs) shall submit all the reports recommended in the Energy Division's April 5, 2004 report and for those reports the SMJU shall use the format and tables attached to Energy Division's April 5th report.

6. The SMJUs shall file new applications no later than June 1, 2006, for budget years 2007 and 2008.

7. Sierra Pacific shall report no later than December 30, 2005 on the results of its Geothermal Exchange Pilot Program.

8. The applicant utilities are authorized to recover in rates the amounts shown in the first Ordering Paragraph.

9. Applications (A.) 04-06-038, A.04-07-002, A.04-07-014, A.04-07-015, A.04-07-020, A.04-07-027, and A.04-07-050 are closed.

This order is effective today.

Dated ____________________________, at San Francisco, California.